

~~CONFIDENTIAL~~

UNCLASSIFIED

INCOMING

DEPARTMENT OF STATE
AFRICAN AFFAIRS

X46

PAGE 01 OF 02 PRETOR 19216 00 OF 02 121554Z
ACTION AF-00

4382 AF2982

PRETOR 19216 00 OF 02 121554Z

4382 AF2982

ACTION OFFICE ROSE-02

INFO AFL-01 C-01 EPS-02 AFRA-01 RCA-01 PMA-01 EXED-01 ZU-03
SE-01 AFP-01 AS-01 /016 A3

INFO LOG-00 AID-00 AMAD-01 CIAE-00 CTME-00 DODE-00 EB-00
EUR-00 EXIM-00 E-01 CSCE-00 FRB-03 HA-09 H-01
INRE-00 INR-01 ITC-01 JUSE-00 LAB-04 L-00 ADS-00
NSAE-00 NSGE-00 OMB-01 OPIC-00 PA-01 PM-00 PRS-01
P-01 SNP-00 SP-00 GGD-00 SS-00 CTR-20 TRCE-00
T-01 USCIE-00 /072W

-----B67A3E 121557Z /49 J8

O 121554Z DEC 91
FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC IMMEDIATE 0768
INFO AMCONCUL CAPE TOWN
AMCONCUL DURBAN
AMCONCUL JOHANNESBURG
AMEMBASSY LONDON
AMEMBASSY PARIS
USDOC WASHDC

CONFIDENTIAL PRETORIA 19216

AF FOR DAS ROSENBERG; NSC FOR KANSTEINER
S/P FOR CABELLY

E.O. 12356: DECL: OADR
TAGS: ECOM, PGOW, EFIN, SF
SUBJECT: PCC CONSIDERATION OF EVANG AMENDMENT AND EXIMBANK
FINANCING FOR SOUTH AFRICA

REF. (A) PRETORIA 19017, (B) PRETORIA 18779

1. C - ENTIRE TEXT.

2. SUMMARY. SAG STEPS TO ELIMINATE APARTHEID MAY BE
APPROACHING A POINT WHERE SOME POLICY-MAKERS MAY JUDGE
THEM AS JUSTIFYING MOVEMENT UNDER THE EVANG AMENDMENT TO
PERMIT FINANCING OF EXPORTS TO SAG ENTITIES. WE STRONGLY
BELIEVE THAT ANY SUCH DETERMINATION, IF MADE, SHOULD BE
WITHIN (AND BE PERCEIVED AS WITHIN) THE CONTEXT OF A
SIGNIFICANT POSITIVE MOVEMENT BY THE CONFERENCE FOR A
DEMOCRATIC SOUTH AFRICA (CODECA), WHICH MAY OCCUR BY
FEBRUARY OR MARCH. CALIBRATING MOVEMENTS ON THIS SANCTION
WITH PROGRESS IN THE NEW CODECA NEGOTIATING FORUM WILL
HELP DEFUSE NEGATIVE REACTION FROM OPPOSITION GROUPS IN
SOUTH AFRICA AND WILL SUPPORT THE TRANSITION PROCESS. SUCH
A DETERMINATION COULD BE ACCOMPANIED BY A REITERATION OF
EXIMBANK'S WILLINGNESS TO FINANCE EXPORTS TO SOUTH AFRICAN
FIRMS WHICH ARE BLACK-OWNED OR ARE MEETING FAIR LABOR
STANDARDS. END SUMMARY

POSSIBLE MOVEMENT ON THE EVANG AMENDMENT

3. WE UNDERSTAND THAT THE EVANG AMENDMENT TO THE EXIMBANK
CHARTER MAY BE DISCUSSED AT THE PCC MEETING ON DECEMBER 13.
ARGUMENTS MAY BE MADE THAT ENOUGH PROGRESS HAS BEEN
ACHIEVED TOWARD ELIMINATING APARTHEID TO JUSTIFY ALLOWING
EXIMBANK TO FINANCE EXPORTS TO SAG ENTITIES. THESE ACTIONS
INCLUDE THE REPEAL OF THE MAJOR APARTHEID LAWS, THE RELEASE

OF POLITICAL PRISONERS, THE UNBANNING OF POLITICAL PARTIES,
THE SIGNING OF THE PEACE ACCORD, AND CONVENING OF CODESA.

4. WHILE THE EVANG AMENDMENT HAS RECEIVED LESS ATTENTION

IN SOUTH AFRICA THAN OTHER FEDERAL SANCTIONS, A MOVE TO
ALLOW EXIMBANK TO FINANCE EXPORTS TO SAG ENTITIES WOULD BE
THE FIRST REAL MOVEMENT ON U.S. FEDERAL SANCTIONS SINCE
THE EASING OF CAAA TITLE III ON JULY 10. AS SUCH, IT
WOULD RECEIVE SUBSTANTIAL ATTENTION AND TAKE ON AN ADDED
SIGNIFICANCE HERE. THE SAG WOULD TOUT THE MOVE AS A SIGN
OF GROWING INTERNATIONAL ACCEPTANCE FOR THE COUNTRY. IT
MAY EVEN TRY TO REPRESENT THE MOVE AS THE FIRST CRACK IN
U.S. FINANCIAL SANCTIONS. IF IT IS PERCEIVED AS SUCH BY
THE BLACK OPPOSITION GROUPS IN SOUTH AFRICA, IT COULD
RECEIVE THE WRATH OF BLACK OPPOSITION, SIMILAR TO THAT
WHICH SCUTTLED J.P. MORGAN'S BID TO FINANCE A BOND ISSUE
FOR THE INDEPENDENT DEVELOPMENT TRUST (IDT) -- SEE SEPTCL.

5. A DECISION TO MOVE AHEAD ON THE EVANG AMENDMENT SHOULD
THUS OCCUR WITHIN THE CONTEXT OF SIGNIFICANT POSITIVE
ACTION BY CODECA. AFTER SUCH AN ACTION, THERE ARE TWO
POTENTIAL WAYS TO GO. WE COULD EITHER MAKE A DETERMINATION
OUTRIGHT -- AFTER CONSULTATIONS WITH THE MAJOR PLAYERS --
OR WE COULD INFORM THE SAG AND THE SOUTH AFRICAN AND
AMERICAN BUSINESS COMMUNITIES OF OUR WILLINGNESS TO
CONSIDER FINANCING APPROPRIATE PROJECTS IN LIGHT OF GOOD
PROGRESS TOWARDS THE DISMANTLING OF APARTHEID, AND WAIT
UNTIL A REQUEST IS MADE IN ORDER TO ISSUE A DETERMINATION.
IN THE LATTER CASE, WE COULD INDICATE THE IMPORTANCE OF
HAVING THE FIRST EXPORT PROJECT BE ONE THAT ADDRESSES
SOUTH AFRICA'S SOCIO-ECONOMIC NEEDS. GIVEN THE WIDE RANGE

OF NEW SAG SPENDING ON EDUCATION, HEALTH CARE, RURAL
INFRASTRUCTURE, AND OTHER PROJECTS (SOME OF WHICH HAVE
LARGE IMPORT COMPONENTS), SUCH A REQUEST WOULD BE
FORTHCOMING SOON. THIS APPROACH WOULD NOT COMPLETELY
OBLVIATE THE POSSIBILITY OF AVERSE REACTION -- NOTE AND
OPPOSITION TO THE IDT LOAN FOR CONSTRUCTION OF SCHOOLS FOR
BLACK STUDENTS (SEPTCL) -- BUT WOULD BE LESS DYSFUNCTIONAL
WITHIN THE TRANSITIONAL PROCESS.

FAIR LABOR STANDARDS

6. TO GIVE FULL EXPRESSION TO THE LIFTING OF THIS BAN, THE
DETERMINATION VIS-A-VIS EXPORTS TO THE SAG COULD BE
ACCOMPANIED BY A STATEMENT NOTING THAT EXIMBANK COULD
FINANCE EXPORTS TO SOUTH AFRICAN FIRMS THAT MEET FAIR LABOR
STANDARDS UNDER THE SIGNATORIES ASSOCIATION OR THE STATE
DEPARTMENT CODE. WHILE THIS PROVISION IS ALREADY PART OF
THE EVANG AMENDMENT, IT HAS NOT BEEN WELL PUBLICIZED IN
SOUTH AFRICA. SOUTH AFRICAN FIRMS SAY THAT U.S. EXPORTERS
OR BANKERS TELL THEM THAT THE EVANG AMENDMENT SIMPLY BANS
BANK EXIMBANK FINANCING IN SOUTH AFRICA.

7. DEPENDING ON HOW THE FAIR LABOR STANDARDS PROVISION IS
DEFINED, WE BELIEVE THAT A NUMBER OF SOUTH AFRICAN PRIVATE
FIRMS COULD MEET THESE STANDARDS. MANY FULFILL THE FIRST
THREE SIGNATORIES ASSOCIATION PRINCIPLES: NONSEGREGATION
OF THE WORKPLACE, FAIR EMPLOYMENT PRACTICES, AND EQUAL PAY
AND BENEFITS ACROSS RACIAL LINES. IN TERMS OF SOCIAL

RESPONSIBILITY PROGRAMS, SOME SOUTH AFRICAN FIRMS HAVE
IMPRESSIVE PROGRAMS FOR EDUCATION FOR NON-EMPLOYEES,
IN-HOUSE TRAINING AND ADVANCEMENT, AND COMMUNITY
DEVELOPMENT, ALTHOUGH THESE MAY NOT DIRECTLY CONFORM TO
U.S. CRITERIA.

COMMENT

UNCLASSIFIED

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DEPARTMENT OF STATE
AFRICAN AFFAIRS

INCOMING
~~UNCLASSIFIED~~

PAGE 02 OF 02 PRETOR 19216 00 OF 02 121554Z 4382 AF2982

8. IT IS HARD TO JUDGE THE POTENTIAL IMPACT OF EXIMBANK PROGRAMS HERE. EVEN IN THE ABSENCE OF SUCH FINANCING, U.S. EXPORTS TO SOUTH AFRICA ARE BOOMING. EXPORTS WILL REACH 12.2 BILLION FOR 1991, UP FROM 11.7 BILLION IN 1990, AND NEARLY HALF OUR TOTAL EXPORTS TO SUB-SAHARAN AFRICA. STILL, THERE IS TREMENDOUS POTENTIAL FOR EVEN GREATER EXPORTS IN SUCH FIELDS AS EDUCATIONAL EQUIPMENT; TRANSPORT INFRASTRUCTURE; INPUTS FOR HOUSING, HEALTH, TOURISM, AND WATER PROJECTS; MINING EQUIPMENT; AND OTHER HEAVY EQUIPMENT. EXIMBANK COULD PROVIDE AN IMPORTANT BENEFIT IN SECURING MAJOR EXPORTS IN THESE AREAS. (NOTE: THIS IMPACT MAY BE LIMITED, HOWEVER, BY THE EXISTENCE OF SANCTIONS IN 15 STATES, 17 COUNTRIES, AND 51 CITIES WHICH PROSCRIBE BANKS FROM DEALING WITH THESE GOVERNMENTS IF THEY OPERATE IN SOUTH AFRICA)

9. FROM OUR PERSPECTIVE, FACILITATING EXIMBANK OPERATIONS IN SOUTH AFRICA WOULD BE AN IMPORTANT STEP IN NORMALIZING OUR BILATERAL TRADE RELATIONS, AND WOULD BE THE LOGICAL EXTENSION OF THE LIFTING OF TRADE SANCTIONS IN JULY AND THE NEW EXPORT PROMOTION ACTIVITIES NOW UNDERWAY. THIS

SANCTION MUST BE MANAGED, HOWEVER, IN A MANNER THAT IS BEST DESIGNED TO SUPPORT THE PROCESS. WE WOULD RECOMMEND, THEREFORE, THAT THIS ACTION BE TAKEN WITHIN THE CONTEXT OF SPECIFIC ACHIEVEMENTS BY CODESA TO MOVE NEGOTIATIONS FORWARD. AS A PRACTICAL MATTER, WE BELIEVE SUCH STEPS COULD COME AS EARLY AS FEBRUARY OR MARCH 1992. SWING**

0311554Z

~~UNCLASSIFIED~~

~~CONFIDENTIAL~~